

## **Interview with Andrew Natsios, Administrator for the US Agency for International Development, with Ted Koppel, *Nightline*, ABC News, 23 April 2003 on the costs of Iraqi Reconstruction**

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Nightline: Project Iraq

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TED KOPPEL

(Off Camera) Our guest tonight is ANDREW NATSIOS, administrator of the Agency for International Development, the lead agency that is responsible for rebuilding the infrastructure of Iraq. Mr. Natsios was manager of Boston's "Big Dig," the largest public works project in American history. He is also a veteran of Desert Storm. He joins us here in our Washington studios. First of all, let me say that there is no evidence that anything illegal has been done or even anything improper. The question is, was it smart to exclude all non-American companies?

ANDREW NATSIOS

Well, first, that's Federal law. Federal statute requires that all Federal agencies only allow American companies to bid under the Federal acquisition statute.

TED KOPPEL

(Off Camera) Actually, obviously, I have to defer to your expertise, but I'm not sure that that is true of all Federal statutes. The Army Corps of Engineers is not required to, is it?

ANDREW NATSIOS

Well, I think it is, but they can waive it. And I can waive it. And I did waive it in January for subcontracts. But the problem is, when we started this process, it was January. The President had not decide to go to war. If we had gone internationally to a big bidding process, it would've sent a huge message the decision had already been made when what we were doing was prudent contingency planning for what might happen. There was some likelihood it would happen, but a decision hadn't been made. So, we did do competition. It was limited competition. It's a procedure, let me just say, it's a procedure we used in Bosnia in the Clinton years, that's where we got this from. It was done to speed up the reconstruction of Bosnia. We also did it in Afghanistan and now we're doing for a third time in ten years in Iraq. And no one raised complaints about this before, I might add.

TED KOPPEL

(Off Camera) Well, it's a, I think you'll agree, this is a much bigger project than any that's been talked about. Indeed, I understand that more money is expected to be spent on this than was spent on the entire Marshall Plan for the rebuilding of Europe after World War II.

ANDREW NATSIOS

No, no. This doesn't even compare remotely with the size of the Marshall Plan.

TED KOPPEL

(Off Camera) The Marshall Plan was \$97 billion.

ANDREW NATSIOS

This is 1.7 billion.

TED KOPPEL

(Off Camera) All right, this is the first. I mean, when you talk about 1.7, you're not suggesting that the rebuilding of Iraq is gonna be done for \$1.7 billion?

ANDREW NATSIOS

Well, in terms of the American taxpayers contribution, I do, this is it for the US. The rest of the rebuilding of Iraq will be done by other countries who have already made pledges, Britain, Germany, Norway, Japan, Canada, and Iraqi oil revenues, eventually in several years, when it's up and running and there's a new government that's been democratically elected, will finish the job with their own revenues. They're going to get in \$20 billion a year in oil revenues. But the American part of this will be 1.7 billion. We have no plans for any further-on funding for this.

TED KOPPEL

(Off Camera) Let me go back to a point you were making a moment ago, namely, you can only really begin on this process in January. The Army began planning for this war, in some detail, last June, ten months ago. Why could you not on a contingency basis have said, we don't know if we're going war, there's a possibility we'll be going war, everyone's been thinking we'll be going to war for many months now, put out the bids and get some competitive bidding going on a global basis or even get some major competitive bidding here in the United States. If it happens, it happens and we're ready. If it doesn't, we don't have to go ahead with these projects.

ANDREW NATSIOS

Sure. We were plan on this last September and we spent the fall working with other domestic Federal agencies and the State Department and the Treasury Department and the National Security Council and MOB on an interagency agreement as to who would do that what. By October/November, that had been set. We began working on the scopes of work which actually take a long time to write because you're reconstructing large parts of a whole country, and by January they were ready to be bid. And we got approval in January to go out and do this truncated shorter process that takes about six weeks or two months. So, the timing actually goes back to September, but you don't just go out to bid, you have to have a document to bid.

TED KOPPEL

(Off Camera) Gotcha. Why it was not more competitive and why it ends up being cost plus, let's just take a quick break and when we come back, perhaps you'll address those two questions. Back in a moment. commercial break

TED KOPPEL

(Off Camera) And we're back once again with ANDREW NATSIOS, administrator for the Agency for International Development. I want to be sure that I understood you correctly. You're saying the, the top cost for the US taxpayer will be \$1.7 billion. No more than that?

ANDREW NATSIOS

For the reconstruction. And then there's 700 million in the supplemental budget for humanitarian relief, which we don't competitively bid 'cause it's charities that get that money.

TED KOPPEL

(Off Camera) I understand. But as far as reconstruction goes, the American taxpayer will not be hit for more than \$1.7 billion no matter how long the process takes?

ANDREW NATSIOS

That is our plan and that is our intention. And these figures, outlandish figures I've seen, I have to say, there's a little bit of hoopla involved in this.

TED KOPPEL

(Off Camera) If you were going to do it again, would you do it the same way? In other words, as I said at the outset, nothing improper here, certainly nothing illegal here. But there is just a sense that there was more secrecy than was perhaps necessary and that you didn't, you didn't put it out to enough companies to get any really competitive bidding going.

ANDREW NATSIOS

Well, actually, we did. This is 680 million, the largest contract of the 1.7 billion is for reconstruction, physical infrastructure. And the only kinds of companies that can manage that kind of money over a year or two, that's the length of time they have to complete these tasks, are only a few, a handful of companies in the whole world have the capacity to spend that much money responsibly, carefully, in a short period of time. And so, we went to the largest and best construction and engineering companies in the country that have experience. Bechtel, for example, has 1,000 employees in the Middle East already. They're in Umm Qasr, we just awarded the contract last Thursday, they're in the port right now, and they're putting dredging equipment, it's on the way to begin dredging the port. We needed to move quickly in order to get this work done. I might also add, this affects people's lives. 100,000 Iraqi children died needlessly last year. Very high child mortality rates, higher in Iraq than in India. The reason for that is dirty water and very bad sewage treatment. Basically, the two big rivers, the Tigris and Euphrates, are open sewers. And if we don't repair that, we can't lower these terrible child mortality rates. So, I think it's important that people understand the context we're working in, that people's lives are at stake, this not just a little road repair here.

TED KOPPEL

(Off Camera) You know better than most because you were actively involved in the project, that Bechtel is under severe examination. Indeed, criminal action is being considered against Bechtel for their operations in the "Big Dig" in Boston. It is charged that they had excessive charges of over a billion dollars here. Doesn't that give you some pause in going to Bechtel? I realize they may be one of the only ones in country who can do it, but surely there are one or two others.

ANDREW NATSIOS

Well, I ran the "Big Dig" after the scandals took place and we fired my predecessor and the governor asked me to clean up the mess. So, I'm very familiar with the project. Massachusetts is a highly politicized atmosphere, and I'm not sure I'd believe all the headlines in Massachusetts, in terms of what the reality was. But, Bechtel did, in the final last best offer for these competitive bids, seven companies, the biggest in the country, were asked to bid. They had the highest quality rating, highest score, for the technical requirements of the project and the lowest price. That is the ideal for Federal contracting. We almost never get it that good, where we have the highest score for the technical and engineering side of it and the lowest price of the bids that were made.

TED KOPPEL

(Off Camera) Explain how that works with the lowest price because I don't quite understand, they couldn't make a bid because they don't yet know what it's gonna cost, so how, are they gonna be held to a particular sum here?

ANDREW NATSIOS

Oh, sure. That is what, what we do. . .

TED KOPPEL

(Off Camera) If it's cost plus, in other words, if they come back to you in another six months or in another year and say, gee, you know, we gave you best estimate we could but here's what it ended up costing and it ended up costing double what we said it was gonna cost.

ANDREW NATSIOS

Oh, no, no, we have, that's the amount of money we have to spend. We're gonna do less if it costs more than that, because we have an appropriation, we're gonna go within the limits of the appropriation.

TED KOPPEL

(Off Camera) But what you are saying is, maybe, maybe fewer tasks will be accomplished. The amount of money, however, is gonna be the same?

ANDREW NATSIOS

That's correct. 1.7 billion is the limit on reconstruction for Iraq. It's a large amount of money but, compared to other emergencies around the world. But in terms of the amount of money needed to reconstruct the country, it's a relatively small amount.

TED KOPPEL

(Off Camera) Mr. Natsios, I thank you. It was good of to you come back.

ANDREW NATSIOS

Thank you very much.

TED KOPPEL

(Off Camera) I'll be back with tonight's status report on Iraq.

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commercial break

graphics: Status Report

TED KOPPEL

(Off Camera) American casualties, millions in cash, and sticky fingers. All in our status report on Iraq for tonight. Three US Marines were killed and seven injured today in a training accident in southern Iraq. They had been firing a rocket-propelled grenade launcher when it malfunctioned and exploded. Oil began flowing through Iraqi pipelines for the first time since the war began, as technicians try to restart production. American soldiers found more than \$100 million in cash, in boxes hidden in dog kennels in a wealthy Baghdad neighborhood. And in a related story, four American soldiers are now being investigated for trying to steal some of the hundreds of millions of dollars that had previously been discovered in a number of hiding places in Iraq's capital.

TED KOPPEL

(CONTINUED) (Off Camera) That's our report for tonight. I'm TED KOPPEL in Washington. For all of us here at ABC News, good night.